

## Research Article

# The Effect of Bumdes Governance on Village Economic Independence: A Case Study of Bumdes Dadirejo in Bandungrejo Village

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**Abstract:** This study aims to explore the impact of Village-Owned Enterprise (BUMDes) governance on village economic independence, with a case study in BUMDes Dadirejo, Bandungrejo Village, Bayan District, Purworejo Regency. The focus of this study is to determine the extent to which good governance principles can encourage increased village economic independence, particularly in terms of increasing Locally-Owned Income (PADes) and empowering village communities. This study uses a quantitative descriptive-verification approach, involving 60 respondents consisting of village officials, BUMDes managers, and community representatives. Data collected through questionnaires, interviews, and documentation were analyzed using validity, reliability, correlation, and regression tests using SPSS. The results show that good BUMDes governance has a positive and significant influence on village economic independence. The application of the principles of transparency, accountability, participation, responsibility, and institutional independence in BUMDes contributes to increasing local economic capacity and community participation in village development. These findings confirm that BUMDes management based on the principles of good governance can be a major catalyst in achieving sustainable rural development and improving the welfare of village communities.

**Keywords:** BUMDes governance, correlation, economic independence, Locally-Owned Income, reliability

Received: September 15, 2025

Revised: September 28, 2025

Accepted: October 20, 2025

Published: October 30, 2025

Curr. Ver.: October 30, 2025



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## 1. Introduction

National development is a continuous process designed to create added value and improve the overall welfare of society. In this case, rural development is an important element because villages serve as the main foundation of the national economy. The government, through various policies, has sought to encourage economic improvement in rural communities, one of which is by establishing Village-Owned Enterprises (BUMDes) as stipulated in Law No. 6 of 2014 on Villages. BUMDes acts as a villageowned economic institution that is independently managed by the community together with the village government in order to optimise local potential so as to increase village income and the standard of living of its residents.

BUMDes has a strategic position in supporting the achievement of Sustainable Development Goals (SDGs Desa), especially in terms of poverty alleviation, welfare improvement, and economic equality at the local level. However, in practice, many BUMDes still face challenges in terms of organisational management and governance.

Based on the findings of Suryabd (2023), Purworejo Regency has 494 villages/sub-districts with diverse economic potential, especially in the agriculture, trade, and service sectors. In a study by Rosiani and Siyami (2023) entitled *The Impact of BUMDes Governance and The Role of Pentahelix Collaboration in Realising Village SDGs*, it is stated that of the 469 BUMDes in the regency, most still need to improve their managerial capacity and governance systems in order to make a significant contribution to the village economy.

The success of BUMDes in promoting village economic independence is largely determined by the quality of its governance. Principles of good governance such as transparency, accountability, participation, responsibility, and organisational independence are key to creating effective village institutions that are trusted by the community. This study focuses on BUMDes Dadirejo in Bandungrejo Village, Bayan Subdistrict, Purworejo Regency, which has developed a number of business units such as trade, internet services, and services based on local potential. Although quite active, this BUMDes still faces obstacles in terms of transparency of reports, community participation, and accountability of administrators.

This shows the importance of implementing good governance principles as stated by Palupi (2021) and Syam et al. (2021), that BUMDes operated based on participatory, transparent, accountable, and sustainable principles will be better able to create economic independence for villages. Yuliana's (2022) findings also reinforce this by stating that the better the implementation of governance, the greater its impact on economic growth and the welfare of rural communities. Conversely, according to Sofyani (2021), weak governance can actually hinder business development and reduce public trust in BUMDes.

The urgency of this research became even more apparent after a Focus Group Discussion (FGD) was held between academics, sub-district government officials, and directors of BUMDes throughout Purworejo Regency, which showed that around 83% of BUMDes in the area did not yet have an optimal governance system. This condition illustrates the need for empirical research to identify the extent to which governance affects the economic independence of villages. This research is also in line with the Fourth Mission of the Purworejo Regency Government, which is to increase the economic competitiveness of the region based on MSMEs, BUMDes, industry, and tourism potential. In addition, this also supports the policy direction of the 2017–2045 National Research Master Plan (RIRN), which emphasises strengthening social capital through the development of global villages as a strategy to accelerate rural development.

Thus, this study not only has academic urgency to add empirical evidence regarding the influence of governance on village economic independence, but also has practical value for BUMDes administrators and village governments in improving a management system that is transparent, accountable, and oriented towards community empowerment. The results of this study are expected to form the basis for the formulation of policies and guidelines for strengthening village institutions towards sustainable economic independence in Purworejo Regency.

## 2. Literature Review

### *Agency Theory*

Agency theory explains the contractual relationship between the *principal* (resource owner) and *the agent* (resource manager), where potential conflicts of interest arise due to differences in objectives and unequal information. According to Eisenhardt (2018), this theory focuses on how organisations manage these relationships through control systems, incentives, and supervision so that *agents* act in the interests of *the principal*. In the field of village government, the village community and village government act as *principals*, while BUMDes administrators act as *agents* authorised to manage village assets and economic potential. Problems arise when there is *information asymmetry* between the village community as the owner of social capital and BUMDes administrators as operational implementers. Without a good supervision and governance system, this condition can lead to moral *hazard*, where managers act contrary to the interests of the community. Therefore, *governance mechanisms* are very important to ensure that the management of BUMDes remains in line with the welfare objectives of the village community (Anthony & Govindarajan, 2007).

### *Good Governance of BUMDes*

According to the Minister of Villages, Development of Disadvantaged Regions and Transmigration Regulation No. 3 of 2021, BUMDes governance includes mechanisms for the establishment, management, administration and dissolution of village enterprises, which are implemented based on the principles of transparency, accountability, participation and compliance with laws and regulations. Widodo (2021) explains that good BUMDes governance not only requires a transparent administrative and financial reporting system, but also the active participation of the village community as owners and social supervisors. Meanwhile, Kurniawan & Fitriani (2021) emphasise that strong governance can improve the sustainability of BUMDes businesses, operational efficiency, and public trust in village economic institutions.

### *BUMDes Governance Indicators*

Based on the review of Permendesa PDTT Number 3 of 2021, and adaptations from the research of Sofyani (2021) and Palupi (2021), BUMDes governance indicators can be grouped as follows:

1. Transparency, openness of financial information and operational activities to the community through periodic reports, information boards, or village meetings.
2. Accountability, the willingness of administrators to be accountable for the results of activities and the use of funds to the village government and the community.
3. Participation, the involvement of the community, village leaders, and stakeholders in the planning and supervision of BUMDes business activities.
4. Responsibility (social responsibility), conducting business activities in accordance with laws and regulations and organisational ethics, and providing social benefits to residents.
5. Organisational independence, the ability of BUMDes to operate without dependence on external assistance and to have a sustainable management system.

### *Village Economic Independence*

Village economic independence is a condition in which villages have the ability to manage local resources and potential independently, productively, and sustainably to meet the

needs of the community without dependence on outside parties. Mardikanto (2018) explains that village economic independence is characterised by an increase in the community's capacity to manage productive businesses, the emergence of local innovation, and the sustainability of village economic institutions such as BUMDes. Meanwhile, Suharto (2020) emphasises that village economic independence is not only about increasing income, but also the ability to create a local economic system that is resilient to external changes.

### **Indicators of Village Economic Independence**

Based on the Central Statistics Agency (2020), Permendesa PDIT Number 2 of 2016 concerning the Village Development Index (IDM), and Mardikanto (2018), indicators of village economic independence include:

#### **Community Economic Capacity**

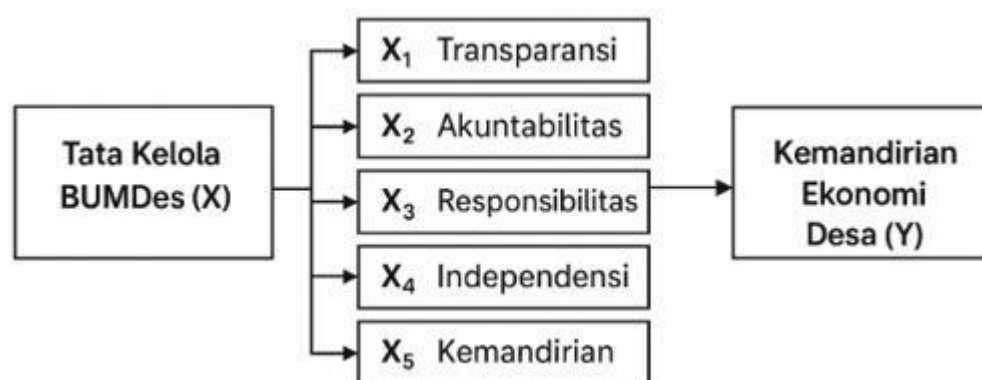
An increase in the number of productive businesses and community involvement in local economic activities.

1. **Pendapatan Asli Daerah (PADes)** An increase in village income derived from the management of village assets and business units.
2. **Independent Economic Institutions** The function of economic institutions such as BUMDes (Village-Owned Enterprises) that are oriented towards sustainability and not merely government assistance.
3. **Community Participation:** Community involvement in productive economic activities that promote job creation and added value.
4. **Innovation and Diversification of Village Businesses**

#### **Village-Owned Enterprises (BUMDes)**

BUMDes is a village economic institution established under Law Number 6 of 2014 concerning Villages and Permendesa PDIT Number 3 of 2021. This institution functions to manage the economic potential of villages through business units managed by the community based on the principles of togetherness and mutual cooperation. According to Rosiani & Siyami (2023), BUMDes plays a strategic role in promoting the achievement of *Sustainable Development Goals* (SDGs) in villages, particularly in the economic and community empowerment aspects. They note that Purworejo Regency has 469 BUMDes, but 83% of them have not implemented good governance and do not yet understand the concept of *pentabelix* collaboration between the government, academia, the business world, the community, and the media.

Conceptually, BUMDes functions as *an intermediary institution* that bridges the informal sector (community businesses) with the formal sector (markets, financial institutions, and government). Therefore, the effectiveness of BUMDes is highly dependent on the quality of its governance. According to Widodo (2021) and Palupi (2021), BUMDes with strong governance has the ability to increase PADes, create jobs, and strengthen the economic independence of rural communities. In this study, BUMDes is viewed as a contextual variable that serves as a medium for applying governance principles. Improving the quality of BUMDes governance is believed to have a positive effect on increasing the economic independence of villages, both through the optimisation of productive business units and the improvement of the overall welfare of the community.

**Framework:****Hypothesis Development:**

Ho = BUMDes governance does not have a significant effect on village independence.

H1 = BUMDes governance has a significant effect on village independence.

**3. Research Methodology**

This study uses a descriptive-verificative quantitative approach that aims to measure and test the influence of BUMDes governance on village economic independence. The research location is at BUMDes Dadirejo, Bandungrejo Village, Bayan Subdistrict, Purworejo Regency, Central Java, which was chosen because this BUMDes actively runs several business units but still faces obstacles in implementing good governance. The research was conducted in October 2025. The data used consisted of primary data obtained through questionnaires and interviews with village officials and the village government, as well as secondary data in the form of official publications, such as BPS, scientific journals and reports from related institutions. The research respondents included the Village Head, Head of BPD, Village Officials, BUMDes Management, Head of Karang Taruna and Head of PKK. The sample in this study consisted of 60 respondents, comprising 1 Village Head, 1 BPD Head, 12 Village Officials, 4 BUMDes Administrators, 1 Karang Taruna Chairperson, 1 PKK

Chairperson, 10 Community Leaders, and 30 local residents. The research variables consisted of BUMDes governance (X) as the independent variable and village economic independence (Y) as the dependent variable. BUMDes governance was measured using indicators of transparency, accountability, participation, responsibility, and institutional independence, while village economic independence was measured through community economic capacity, increases in Village Original Income (PADes), economic institutions, community participation, and business innovation. Each indicator was assessed using a 1–5 Likert scale. Data collection techniques were carried out through questionnaires, interviews, and documentation, while data analysis was carried out using validity and reliability tests, statistical tests (correlation, regression, and determination), and hypothesis testing (t-test and f-test) using the SPSS program to test the effect of BUMDes governance on village economic independence. The hypothesis proposed in this study is that BUMDes governance has a positive and significant effect on village economic independence.

## 4. Results and Discussion

### Validity and Reliability Test Validity Test

Validity testing was conducted to measure the validity of the questionnaire for each variable. The results of the validity testing in this study are as follows:

Based on the Validity Test table in Table 1, it can be seen that out of 10 questions, all items were declared valid and could proceed to the next test. All items were valid because they had a validity of  $\geq 0.3$ . Thus, it can be concluded that all questions about Bumdes governance and village economic independence were valid in measuring the research variables.

**Tabel 1.** Hasil Uji Validitas.

Variabel	Item Pertanyaan	Personal Korelasi	Nilai Minimal	Validitas	Informasi
Tata Kelola	X1.1	0,666	$\geq 0,3$	Valid	Informasi
BUMDes (X)	X1.2	0,511	$\geq 0,3$	Valid	Informasi
BUMDes (X)	X1.3	0,680	$\geq 0,3$	Valid	Informasi
BUMDes (X)	X1.4	0,722	$\geq 0,3$	Valid	Informasi
BUMDes (X)	X1.5	0,677	$\geq 0,3$	Valid	Informasi
Kemandirian Ekonomi Desa	Y1.1	0,790	$\geq 0,3$	Valid	Informasi
Kemandirian Ekonomi Desa	Y1.2	0,829	$\geq 0,3$	Valid	Informasi
Kemandirian Ekonomi Desa	Y1.3	0,878	$\geq 0,3$	Valid	Informasi
Kemandirian Ekonomi Desa	Y1.4	0,806	$\geq 0,3$	Valid	Informasi
Kemandirian Ekonomi Desa	Y1.5	0,883	$\geq 0,3$	Valid	Informasi

### Reliability Test

The reliability test measures the consistency of the research questionnaire used to measure variables X and Y. A variable is said to be reliable if it has a value of  $\geq 0.60$ . If the reliability value is smaller, i.e.  $\leq 0.60$ , then the variable is not reliable. The following are the reliability test results for the variables in this study:

**Table 2** Reliability Test Results.

Variabel	Cronbach's Alpha	N of items	Minimum Validity Value	Information
Tatakelo	0,881	2	$\geq 0,6$	Reliable
BUMDes	0,950	2	$\geq 0,6$	Reliable
Kemandirian Ekonomi Desa	0,950	2	$\geq 0,6$	Reliable

Source: Data processing, 2025

Based on the reliability test in Table 2, it can be seen that all items are declared reliable and can be continued for further testing. All items are considered reliable because the Cronbach's alpha value for the BUMdes governance variable, Village Economic

Independence, has a value of  $\geq 0.6$ . This instrument is declared reliable for measuring research variables consistently or stably over time.

### Correlation and Multiple Regression Tests Correlation Test

The purpose of the correlation test is to determine the extent of the relationship between variable (X1) and variable (Y) or to determine whether the relationship between the two variables is strong. The coefficient value measures this relationship. If the value obtained is close to 1, the relationship is considered weak, but conversely, if the value obtained is close to 1, the relationship is considered strong.

**Table 3.** Correlation Test Results Between Variable X1 and Variable Y.

Variabel	Pearson Correlation	Sig. (2-tailed)	N
Tata Kelola BUMDes (X1)	<b>1</b>	<b>.790**</b>	<b>60</b>
Kemandirian Ekonomi Desa (Y)	<b>.790**</b>	<b>.000</b>	<b>60</b>

Source: Data Processing, 2025

Based on the correlation results between the BUMDes governance variable (X1) and the Village Economic Independence variable (Y1) in Table 3, it can be concluded that the correlation coefficient value is 0.790, so it can be concluded that the relationship between these variables is strong or mutually influential.

### Multiple Regression Test

Used to test the effect of BUMDes governance variables (X1) on Village Economic Independence variables (Y1). The results of the multiple regression test on the variables in this study are as follows:

**Table 4.** Simple Regression Test Results Coefficientsa.

Model	Unstandardized Coefficients	B	Std. Error	Standardized Coefficients	Beta
1	<b>(Constant)</b>	<b>5.399</b>	<b>1.562</b>		<b>3.457</b>
	<b>TATAKELOLABUMDES</b>	<b>0.733</b>	<b>0.075</b>	<b>0.790</b>	<b>9.824</b>
			<b>Sig.</b>		
			<b>0.001</b>		
			<b>0.000</b>		

Based on the results of multiple regression analysis in Table 4 above, the regression equation  $Y = 5.399 + 0.733 X1$  was obtained. This equation means:

1. The constant result is 5.399, meaning that if the value of the BUMDes governance variable (X1) in the research object is zero, then the level or magnitude of the Village Economic Independence variable (Y1) is 5.399.
2. The regression coefficient for the BUMDes governance variable is 0.733 (positive coefficient), which means that if the BUMDes governance variable (X1) increases by one point, then Village Economic Independence (Y1) will increase by 0.733.

### Determination Coefficient Test

The results of the coefficient of determination test in this study are as follows.

**Tabel 5** Hasil Uji Koefisien determinasi.

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
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1	.790a	.625	.618	1.73406
Predictors: (Constant), Tata Kelola BUMDes (X1)				
Sumber: Olah data, 2025				

Based on Table 5, the Adjusted R Square value is 0.618. This value means that the BUMDes governance variable contributes 62% to village economic independence, with the remaining 38% (100%–62%) influenced by other factors not examined in this study, such as internal village government policies, natural resource quality, capital and access to capital, business innovation and diversification, and community participation and social capital.

### T-test

The results of the T-test in this study can be seen in the following table

**Table 6.** T-test Results.

Model	Unstandardized Coefficients	B	Std. Error	Standardized Coefficients	Beta
1	(Constant)	5.399	1.562		3.457
	TATAKELOLABUMDES	0.733	0.075	0.790	9.824
			Sig.		
			0.001		
			0.000		

Based on the analysis of BUMDes governance variables, the calculated t-value (3.457) is greater than the table t-value (1.671) and the significance value (0.000) is less than 0.05. This indicates that there is a positive and significant influence between BUMDes governance and village economic independence. This means that hypothesis H1, which states that BUMDes governance affects village economic independence, is accepted.

### Discussion The Influence of BUMDes Governance on Village Economic Independence

Based on the results of hypothesis testing, it can be seen that there is a positive and significant influence between BUMDes governance and Village Economic Independence. This may be due to the cooperation between BUMDes administrators and the village community, the community's role in the actual village improvement programme process, and the openness of information regarding documents on the implementation of BUMDes. In addition, respondents also agreed that BUMDes can be utilised for the economic empowerment of the village community. Therefore, the better the implementation of BUMDes governance, the faster Village Economic Independence will be achieved.

This is in line with previous research conducted by Tutik Rosiani and Nur Siyami (2023), which states that BUMDes governance has a significant effect on the achievement of sustainable village development goals. The study explains that the principles of good governance, including transparency, participation, accountability, and sustainability, can accelerate local economic progress and increase public trust in village institutions. Furthermore, the results of this study are also in line with the findings of Yuliana (2022), who researched the implementation of BUMDes Estu Mukti governance in Bajalen Village. Yuliana found that the consistent and professional implementation of governance principles has helped improve community welfare and create economic independence for the village.



## 5. Conclusion and Recommendations Conclusion

### Conclusion

Based on the results of the study conducted on "The Influence of BUMDes Governance on Village Economic Independence (Case Study at BUMDes Dadirejo, Bandungrejo Village)", it can be concluded that BUMDes governance plays an important role in realising village economic independence. The application of good governance principles, which include transparency, accountability, participation, responsibility, and organisational independence, has proven to be a determining factor in the success of village institutions in managing local economic potential independently and sustainably. In general, the test results show that the better the BUMDes governance is implemented, the greater its impact on increasing the economic independence of the village. This is in line with the results of research by Rosiani & Siyami (2023), which states that good governance can increase the effectiveness of institutions and accelerate the achievement of village development goals. In the context of BUMDes Dadirejo, the implementation of good governance is expected to increase the economic capacity of the community, strengthen village economic institutions, and encourage an increase in Village Original Income (PADes). Thus, it can be concluded that BUMDes governance has a positive and significant effect on village economic independence. The success of BUMDes is not only determined by capital and business units, but also by the extent to which governance principles are implemented consistently and participatively by administrators and the village community.

### Recommendations

For the management of BUMDes Dadirejo, it is recommended to strengthen the governance system by improving financial report transparency, establishing clear accountability mechanisms, and involving the community in strategic decision-making. This is important to increase public trust in the management of BUMDes. For the Bandungrejo Village Government, it is hoped that it can provide support in the form of ongoing guidance and training for BUMDes administrators in terms of business management, finance, and human resource management. Regulatory and supervisory support is also needed to ensure the sustainability of village economic activities. For the village community, active participation in the supervision and business activities of BUMDes needs to be continuously improved so that this institution truly belongs to everyone and is oriented towards the welfare of the villagers. For future researchers, it is hoped that the scope of research can be expanded by adding other variables such as business innovation, the role of collaboration between stakeholders, and village policy support. In addition, future research can use a qualitative approach to explore more deeply the social and cultural aspects that influence the governance of BUMDes.

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